

Message Text

UNCLASSIFIED

PAGE 01 TANANA 01400 090802Z

12

ACTION EB-07

INFO OCT-01 AF-06 ISO-00 FEA-01 AGR-10 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04

TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 /101 W

----- 013609

R 081330Z AUG 75

FM AMEMBASSY TANANARIVE

TO SECSTATE WASHDC 7514

UNCLAS TANANARIVE 1400

E.O. 11652: N/A

TAGS: EINV, EFIN, EIND, MA

SUBJ: FOREIGN INVESTMENT CLIMATE AND STATISTICS-MADAGASCAR

REF: STATE 165596

1. THE CLIMATE FOR FOREIGN PRIVATE INVESTMENT IN MADAGASCAR AT PRESENT CAN ONLY BE TERMED HIGHLY UNCERTAIN POOR. ALTHOUGH SUCCESSIVE MALAGASY GOVERNMENTS SINCE 1972 HAVE OCCOSIONALLY DECLARED THEY WOULD WELCOME FOREIGN INVESTMENT THAT WILL TRULY AID THE DEVELOPMENT OF THE COUNTRY, IN PRACTICE THE MAIN THRUST OF GOVERNMENT POLICY HAS BEEN SHARPLY TO DIMINISH THE ROLE OF THE PRIVATE SECTOR IN THE ECONOMY, PARTICULARLY THE FOREIGN PRIVATE SECTOR. THROUGH SUCH MEASURES AS NATIONALIZATION, STATE TAKE OVER OF MAJORITY PARTICIPATION IN A RANGE OF ENTERPRISES, AND TIGHT CONTROLS ON THE PRICES, PROFITS AND FOREIGN EXCHANGE, THE GOVERNMENT HAS SOUGHT TO EXTEND ITS CONTROL OVER NEARLY ALL ASPECTS OF THE ECONOMY. IN JUNE 1975 NEW MALAGASY PRESIDENT DIDIER RATSIRAKA DECLARED THE BASIC POLICY OF HIS GOVERNMENT WOULD BE "SOCIALISM", AND ANNOUNCED THE IMMEDIATE NATIONALIZATION OF ALL BANKS AND INSURANCE COMPANIES (WHICH WERE MAINLY FOREIGN-OWNED). ARRANGMENTS FOR COMPENSATION, IF ANY YET TO BE WORKED OUT.

2. AN INVESTMENT CODE ISSUED IN 1973 OUTLINES BENEFITS PRIVATE INVESTORS MAY RECEIVE DURING A 5-YEAR, NON-RENEWABLE-

UNCLASSIFIED

PAGE 02 TANANA 01400 090802Z

VATE INVESTORS MAY RECEIVE DURING A 5-YEAR, NON-RENEWABLE-

PERIOD. HOWEVER, THE BENEFITS MUST BE APPROVED BY THE MALAGASY GOVERNMENT ON A CASE -BY-CASE BASIS. THE PROVISION OF THE INVESTMENT CODE IN GENERAL HAVE BEEN INADEQUATE TO ATTRACT INTEREST BY POTENTIAL INVESTORS. THE REMITTANCE OF ANY PROFITS OR DIVIDENDS MUST ALSO BE APPROVED ON A CASE-BY-CASE BASIS, AND HAS BEEN PERMITTED IN ONLY A FEW INSTANCES. OWING TO THE INADEQUACY OF THE INVESTMENT CODE, THESEVER CONTROLS IN EFFECT ON THE PROFITS OF PRIVATE ENTERPRISE AND ON REMITTANCE OF FOREIGN EXCHANGE, AND THE UNCERTAINTY OF MALAGASY GOVERNMENT POLICY VIS-A-VIS THE PRIVATE SECTOR, NEW FOREIGN INVETMENT IN MADAGASCAR SINCE MID-1972 HAS BEEN LOW OR VIRTUALLY NIL.

3. IN THE MINING SECTOR, THE MALAGASY GOVERNMENT HAS EXPRESSED INTEREST IN POSSIBLE JOINT VENTURE ARRANGEMENTS WITH FOREIGN INVESTORS FOR EXPLOITATION OF MINERAL RESOURCES, BUT IT HAS ALSO DECLARED THE GOVERNMENT WILL REQUIRE MAJORITY OWNERSHIP OF ALL MINING ENTEPRISES. NEGOTIATIONIBZAVE TAKEN PLACE WITH SEVERAL FOREIGN FIRMS INTERESTED IN MINING IN MADAGASCAR, BUT SINCE 1972 NO NEW AGREEMENTS HAVE BEEN REACHED.

4. INVESTMENT STATISTICS:

A.U.S. DIRECT INVESTMENT (END OF 1974):

TOTAL, ALL INDUSTRIES -\$7.3 MILLION

PETROLEUM REFINING AND DISTRIBUTION \$7.1 MILLION

MANUFACTURING \$.2 MILLION

B. DIRECT INVESTMENT BY ALL OTHER X COUNTRIES END OF 1974:

THERE ARE NO RELIABLE ESTIMATES OF TOTAL FORIEGN

INVESTMENT IN THE MALAGASY REPUBLIC. FRANCE

ACCOUNTS FOR A VAST MAJORITY OF DIRECT FOREIGN

INVESTMANT, BUT THE THE FRENCE EMBASSY ITSELF HAS NO

ESTIMATE OF TOTAL VALUE, PROBABLY OVER \$200 MILLION.

DIRECT ITALIAN INVESTMENT IS BELIEVED TO BE SLIGHTLY

IARGER THAN THAT OF U.S. (PERHAPS \$8-10 ILLION),

AND JAPANESE INVESTMENT SLIGHTLY LESS (IN THE RANGE OF \$5 MILLION).

C. DIRECT INVESTMENT IN THE U.S. BY MALAGASY:

NEGGLIGIBLE OR NONE.

ELFERS

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN INVESTMENT, REPORTS, ECONOMIC CONDITIONS, NATIONALIZATION, POLICIES
Control Number: n/a
Copy: SINGLE
Draft Date: 08 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975TANANA01400
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750275-0739
From: TANANARIVE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750868/aaaachvz.tel
Line Count: 99
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 STATE 165596
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 14 FEB 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 FEB 2003 by ReddocGW>; APPROVED <10 MAR 2004 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FOREIGN INVESTMENT CLIMATE AND STATISTICS-MADAGASCAR
TAGS: EINV, EFIN, EIND, MA, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006